

North Tawton Town Council

Risk Management Policy & Strategy – December 2020

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1 Introduction

1.1 This document forms the Council's Risk Management Strategy. It identifies:

- What is risk management?
- Why does the Council need a risk management strategy?
- What is the Council's philosophy on risk management?
- What is the risk management process?
- How will risk management feed into the Council's existing policies?
- Roles and responsibilities
- Future monitoring.

1.2 The objectives of this strategy are to:

- Further develop risk management and raise its profile across the Council.
- Integrate risk management into everything the Council does
- The inclusion of risk management as part of all decision making processes.
- Manage risk in accordance with best practice.

2 What is Risk Management?

2.1 "Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives, and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance, together with community focus; structures and processes, standards of conduct and service delivery arrangements." *Audit Commission, Worth the Risk – Improving Risk Management in Local Government*

2.2 Risk management is an essential feature of good governance. An organisation that manages risk well is more likely to achieve its objectives. Risk management is not only about health and safety but applies to all aspects of the Council's work.

2.3 Risks can be classified into various types. For all categories the direct financial losses may have less impact than the indirect costs such as disruption of normal working. The examples below are not exhaustive.

Strategic Risk - long term adverse impacts from poor decision making or poor implementation. Risks damage to the reputation of the Council, loss of public confidence and, in a worst case scenario, Government intervention.

Compliance Risk - failure to comply with legislation, or laid down procedures or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals, inability to enforce contracts.

Financial Risk - fraud and corruption, waste, excess demand for services, bad debts. Risk of additional audit investigation, objection to accounts, reduced service delivery, dramatically increased Council Tax levels/impact on Council reserves.

Operating Risk — failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Risk of insurance claims, higher insurance premiums, lengthy recovery processes.

- 2.4 Not all these risks are insurable and for some the premiums may not be cost-effective. Even where insurance is available, a monetary consideration may not be an adequate recompense. The emphasis should be on eliminating or reducing risk before costly steps to transfer risk to another party are considered.
- 2.5 Risk is not restricted to potential threats but can be connected with opportunities. Good risk management can facilitate proactive, rather than merely defensive responses. Measures to manage adverse risks are likely to help with managing positive ones.

3 Why does the Council need a Risk Management Strategy?

- 3.1 Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided.
- 3.2 The Risk Management Strategy will help to ensure that the Council adopts a uniform approach to identifying and prioritising risks. Decisions must then be made as to the most appropriate method of dealing with each risk, be it elimination, reduction, transfer or acceptance,
- 3.3 There is a requirement under the Accounts and Audit Regulations 2003 (SI 2003/533) to establish and maintain a systematic strategy, framework and process for managing risk.

4 What is the Council's Philosophy on Risk Management? - Risk Management Policy Statement

The Council recognises that it has a responsibility to manage risks effectively in order to protect its employees, assets, liabilities and community against potential losses and to minimise uncertainty in achieving its goals.

The Council is aware that some risks can never be eliminated fully but must be managed by making best judgement decisions. For example, provision is made in the Council's General Reserves to provide financial cover for certain risks.

5 What is the Risk Management Process?

5.1 Implementing the Strategy

Risk Identification - identifying and understanding the hazards and risks facing the Council is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed.

Risk Analysis - Once risks have been identified they need to be assessed. Analysis should include any available data on the potential frequency of events and their consequences. If a risk is seen to be unacceptable, then steps need to be taken to control or respond to the risk.

5.2 Risk Control

Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences if it occurs. Risk control will require the identification and implementation of revised operating procedures; in exceptional cases more drastic action may be needed to reduce the risk to an acceptable level.

Options for control include:

Elimination - the circumstances from which the risk arises are removed so that the risk no

longer exists.

Reduction - loss control measures are implemented to reduce the impact/likelihood of the risk occurring.

Transfer - the financial impact is passed to others e.g. by revising contractual terms.

Sharing - the risk is shared with another party.

Insuring - insure against some or all of the risk to mitigate financial impact.

Acceptance - documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

5.3 Risk Monitoring

The risk management process must include monitoring and reviewing risk control procedures, and assessment as to whether the nature of any risk has changed over time.

The information generated from applying the risk management process will help ensure that risks can be avoided or minimised in the future. It will also inform judgements on the nature and extent of insurance cover and the balance to be reached between self-insurance and external protection.

6 Roles and Responsibilities

6.1 It is important that risk management becomes part of the everyday workings and performance management process of the Council. The roles and responsibilities set out below will help ensure that risk is managed effectively.

6.2 Members - Risk management is part of the Members stewardship role. Members are expected to be fully involved in the approach adopted. This will include:

- Approval of the Risk Management Strategy.
- Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed.
- Consideration, and if appropriate, endorsement of the annual Review of Internal Control.
- Assessment of risks whilst setting the precept, including any bids for resources to tackle specific issues.

6.3 **The Town Clerk** - will be responsible for overseeing the implementation of the detail of the Risk Management Strategy. The Town Clerk will:

- provide advice as to the legality of policy and service delivery choices;
- update the Council and sections on the implications of new or revised legislation;
- assist in handling any litigation claims;
- advise or obtain advice on any health and safety implications of the chosen or proposed arrangements for service delivery.

6.4 **Responsible Finance Officer** - as RFO the Clerk will also:

- advise on the Council's insurance requirements.
- assess the financial implications of strategic policy options;
- provide assistance and advice on budgetary planning and control;
- ensure that the Financial Information System allows effective budgetary control.

6.5 **Role of Internal Audit** - internal Audit provides an important scrutiny role by:

- carrying out audits to provide independent assurance that the necessary risk management systems are in place and all significant business risks are being managed effectively

- helps the Council identify both its financial and operational risks
- advises the Council in developing and implementing proper arrangements to manage these risks, including adequate and effective systems of internal control to reduce or eliminate the likelihood of errors or fraud.

6.6 Training - Risk Management training should be provided to Members, and Officers, to ensure they have the necessary skills to identify, evaluate and control the risks associated with the services they provide.

7 Future Monitoring

7.1 Review of Risk Management Strategy - This Strategy will be reviewed annually or at any time it is judged necessary.

8 CONCLUSION

Adopting a sound risk management approach will benefit the Council. It will help demonstrate that the Council is committed to continuous service improvement and effective corporate governance. The Council is RECOMMENDED to approve the strategy.

North Tawton Town Council Risk Management Strategy

Financial and management				
Subject	Risk(s) Identified	H M L	Management/Control of Risk	Review/Assess/Revise
Precept	Adequacy of precept	L	At the precept meeting, information is provided on existing receipts and payments position, together with projected outturn position at year end.	Existing procedure adequate.
	Adequacy of reserves	L	At the precept meeting details will be reported of general reserves and earmarked reserves.	Existing procedure adequate.
	Receipt of precept	L	Received in one instalment (together with LCTSS Grant). Receipt of income reported to Council.	Existing procedure adequate.
Financial Records	Adequacy of Records	L	Standing Orders set out arrangements for accounts, financial transactions etc. Internal Auditor inspects records.	Review annually
Banking	Banking procedures	L	Cheques must be signed by two designated signatories. Internet banking transactions require authorisation by 2 designated members. Income is banked as soon as possible after receipt. Bank statements are checked monthly for accuracy.	Existing procedures adequate.

Cash	Loss through theft or dishonesty	L	Fidelity Guarantee insurance held. All financial transactions are checked monthly by the Chair of Finance (or other member of finance committee if necessary). Minimum amount of cash retained.	Review insurance cover annually. Checks adequate.
Subject	Risk(s) identified	HML	Management/control of risk	Review/Assess/Revise
Reporting and auditing	Potential failure to record transactions, reconcile accounts, produce reports etc.	L	At each meeting details of income and expenditure and bank reconciliations are reported to Council and checked by the Chair of Finance.	Existing procedure adequate
Salaries and associated costs	Incorrect payment	L	The Council authorises the appointment of all employees on a recognised salary rate. Timesheets are submitted and checked each month. Salary and associated costs are calculated each month by the Council's contractor. Tax and NI payments are made quarterly to HMRC	Existing procedures adequate.
VAT	Reclaiming of VAT	L	VAT is reclaimed on a quarterly basis. The Council's financial system calculates the VAT claim. Repayments are reported as income to Council. Internal Auditor checks VAT claims	Existing procedures adequate.
Conduct of Council Business	Minutes, Agendas, Notices	L	Processes for the holding of Council meetings and preparation of agendas and minutes are in accordance with the legal requirements and as set out in the NTTC Standing Orders.	Existing procedures are adequate.
Members Interests	Conflict of Interest Register of Interests	L	Appropriate interests to be declared at meetings. Dispensations to be sought where appropriate To be reviewed/updated as changes occur.	Existing procedure is adequate. Responsibility of individual Members to advise Clerk of any changes that require updating of register.
Insurance	Adequacy Cost Compliance Fidelity Guarantee	L	Annual review of needs when renewing insurance policy and at other times as circumstances dictate. Employers and Employee liability insurance is a statutory	Existing procedure is adequate. Review insurance provision annually.

			requirement.	
Information	Systems for holding information and personal data	M	Ensure systems are appropriate and that appropriate policies and procedures are in place to deal with requests and avoid challenge.	Data Protection Policy in place, registration with Information Commissioner and Freedom of Information Act publication scheme is in existence.
NTTC election costs	Risk of election	L	Risk higher in election year. Estimated election costs for a contested or uncontested election to be obtained when an election is due. There are no measures which can be taken to minimise the risk of having a contested election as this is part of the democratic process.	Existing procedure whereby an amount is identified within the budget for this eventuality represents an adequate measure.

Risk Assessment of issues for which financial provision is made in the Council's General Reserves

Table A – General Reserves Assessment

No.	Risk	Effects	Action	Value of Risk £
1	Loss of staff either permanently or temporarily (ie due to sickness etc)	Council could not function effectively	Additional advertising costs to attract staff, payment for staff cover	7000.00
2	Major Loss of Service through fire/flood structural damage	Premises not operational	Need to hire temporary premises. <i>Put disaster recovery plan into place</i>	10000.00
3	Insurance Claims	Uninsurable losses	Good claims management	7000.00
4	ICT Security/data corruption	Loss of service	Robust security policies, backup, firewalls and off site electronic document storage	5000.00
5	Capping of precept by central government	Funding shortfall if precept is capped in future years	Build up general reserves to cover this contingency	15000.00
6	Election Reserve	Reserve to meet potential future Election Costs/By-election-Town Poll	Build up general reserves to cover this contingency	6000.00
7	Unexpected buildings or properties maintenance costs	Insufficient funding available to pay unexpected costs	Build up general reserves to cover this contingency <i>Regular inspection of properties for which the council is responsible</i>	6000.00
8	Inflation is greater than budgeted	Knock on effect on wages, utility bills, etc	Build up general reserves to cover this contingency	3000.00
			TOTAL	59000.00

Table B - Earmarked Reserves Assessment

No.	Item	Use	Policy for use	Suggested Value to aim for
1	Town Council Office	Future refurbishment of office and replacement of boiler, alarm, lighting, furniture, etc	Expenditure to be met from this fund on agreement by full council.	15000.00
2	Public Toilets	Future full refurbishment of toilets	Expenditure to be met from this fund on agreement by full council.	25000.00
3	Cemetery extension	All works necessary to lay out the cemetery extension appropriately	Expenditure to be met from this fund on agreement by full council.	25000.00
4	Manshed	Refurbishment/provision of services to Chapel of Rest building for use as 'Manshed'	Expenditure to be met from this fund on agreement by full council.	10000.00
5	Stone walls for which the council is responsible	Repair and maintenance works to stone walling at park, churchyard, etc.	Expenditure to be met from this fund on agreement by full council.	15000.00
6	Emergency works to trees for which the council is responsible	Potential felling of trees identified as dangerous	Expenditure to be met from this fund on agreement by full council.	20000.00
7	Defibrillator lease and maintenance	Lease lasts for 3 years and covers supply and maintenance.	Expenditure to be met from this fund on agreement by full council	5000.00
8	Car Park Maintenance and Repair	Future repainting of lines and resurfacing of car park.	Expenditure to be met from this fund on agreement by full council	15000.00
9	Environmental Fund	Environmental issues taking a higher profile, proposals are likely to be put to the Council during the coming year - it is considered prudent to have an amount in earmarked reserves to meet this contingency.	Expenditure to be met from this fund on agreement by full council.	5000.00
10	Projects Development	Further to the formation of the Council's Projects Development Working Group, it is considered prudent to build a fund towards costs of future projects. Whilst borrowing will need to be considered for major projects, there will be associated upfront costs to be funded. Any excess over and above upfront costs will go towards the main project(s).	Expenditure to be met from this fund on agreement by full council	15000.00
			TOTAL	£150,000.00